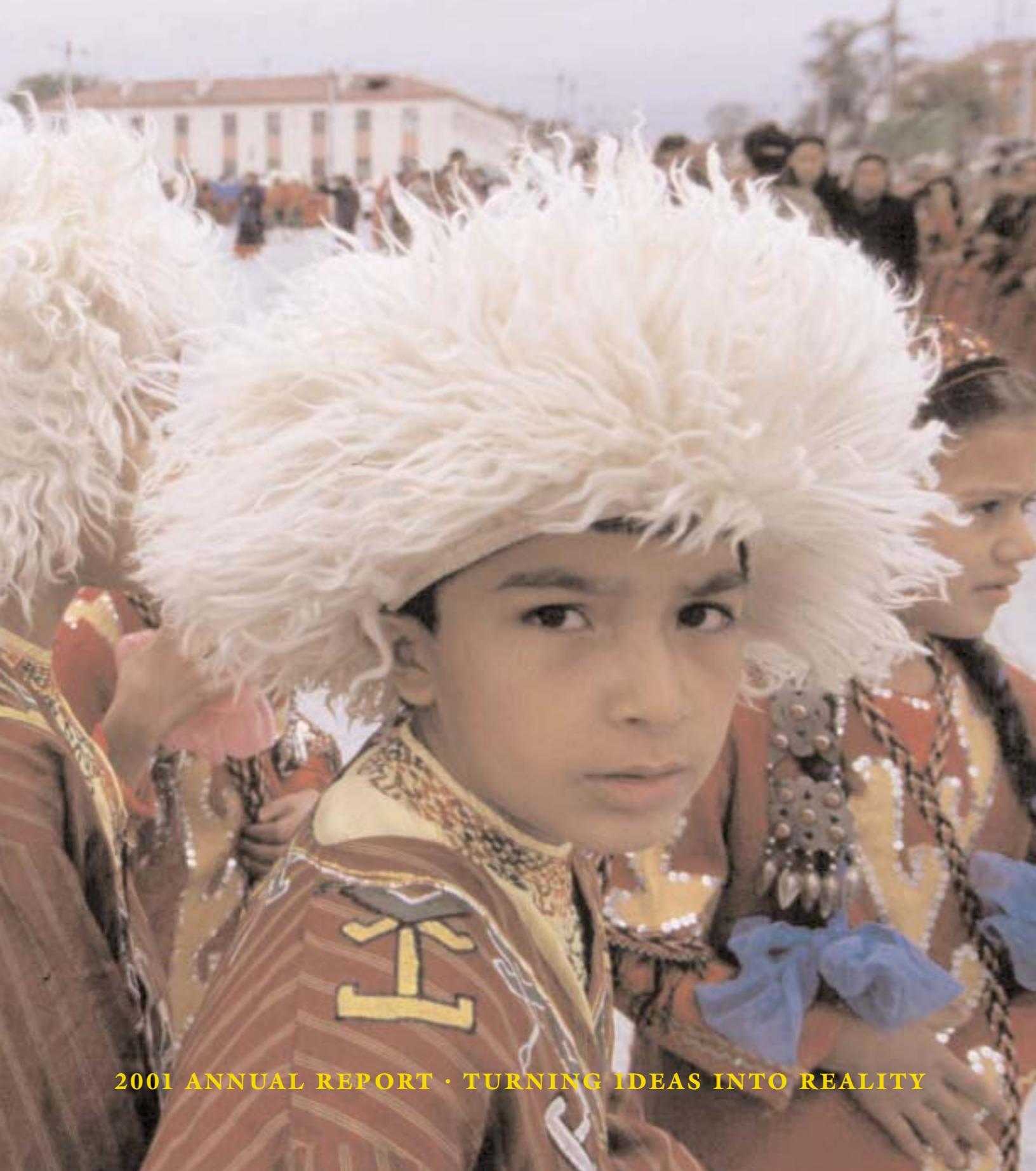


Eurasia Foundation



2001 ANNUAL REPORT • TURNING IDEAS INTO REALITY



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THE EURASIA FOUNDATION

We believe that societies function best when citizens take responsibility for their own civic and economic futures. Eurasia Foundation programs promote the skills and vision necessary to bring the greatest social and economic benefits to individuals and their societies. Ultimately, we strive to promote democratic institutions and private enterprise in the 12 countries in which we work.



LETTER FROM
THE CHAIR AND
PRESIDENT



IN LAUNCHING THE EURASIA FOUNDATION IN 1993, ITS TRUSTEES SOUGHT to do more than establish yet another instrument to deliver assistance to the former Soviet Union. Knowing that aid would cease at some future point, the Trustees approached the problem in a different way. They launched a foundation. Its mission was not only to fund high-quality projects, but also to implant in that part of the world familiarity with a new institutional model—the open-door grantmaking foundation. ¶ For decades, the citizens of the Soviet Union had been taught—and had learned from bitter experience—that all initiative came from the top. From below came only compliance. Experience also taught that resources followed political connections, not merit. Access to Party leadership counted more than individual enterprise. ¶ The Eurasia Foundation reflects a different set of standards in that it awards its grants on the basis of merit. No political connections are necessary—only good ideas. ¶ The Foundation seeks to depart from the norm in other ways. From the beginning, it sought to reach out beyond the capital cities to the countryside. In this way, it hoped to impart another lesson: To be successful, a grantee does not need to live in Moscow or Tashkent or Kyiv, where it is easier to develop political allies. The Foundation’s greatest activity remains in the provinces, close to the people, where lasting change must be rooted. Indeed, in the case of Russia alone, the Foundation has awarded nearly \$32 million to grantees outside of Moscow, with projects in virtually every corner of that vast country. ¶ The Trustees also decided to keep the grants small so that more people can be reached. Since its inception, the Foundation has made approximately 6,000 grants in the former Soviet Union with an average grant size of \$20,000. ¶ Yet in Eurasia, small is often beautiful. As a result of the Foundation’s pioneering presence, academic institutions have been launched, the path for small businesses eased, the protection of journalists increased, and the transparency of local government improved. Moreover, Foundation grants have often acted like a flare in the dark, awakening ordinary citizens to possibilities for change far beyond what they otherwise would have imagined. ¶ The Eurasia Foundation Trustees are determined to complete their mission. They plan to spend the next five years attempting to build local foundations that can provide more permanent sources of support for civil society in these former Soviet states. Long after official Western donors will have closed their doors, these local philanthropic institutions can be in place to help the rise of democracy and private enterprise. ¶ The Trustees and staff see this challenge as an opportunity to make a true difference. Through such an initiative, the Western world can show that it wishes for the people in Eurasia the same kind of rich social and political life that its own peoples enjoy. ¶ Over the past ten years, the citizens of Eurasia have demonstrated that they desire positive change. Over the next ten years, we must help them consolidate that change. We ask our readers to join with us in this important effort.

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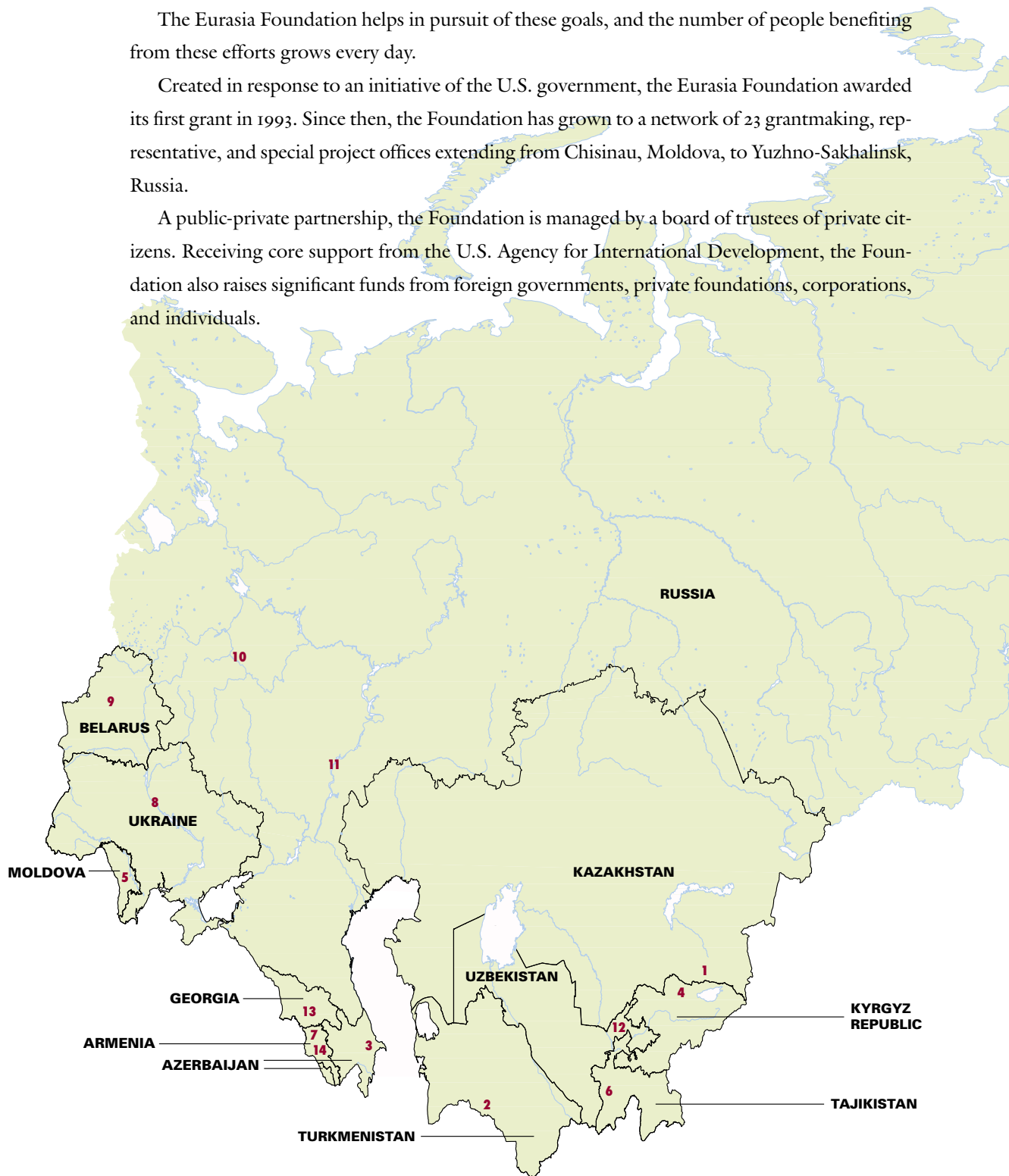
OVERVIEW OF THE EURASIA FOUNDATION

A vast territory reaching from the Black Sea to the Pacific Ocean, Eurasia is home to nearly 300 million people. Its history has been tumultuous, and so has its most recent past. Ten years ago, as the powerful Soviet Union disbanded into independent states, its citizens awoke to intimidating new realities—new borders, new philosophies, and new connections with the outside world. Stability for these communities, and for their neighbors, rests on their success in developing market economies, open societies, and responsible civic administration.

The Eurasia Foundation helps in pursuit of these goals, and the number of people benefiting from these efforts grows every day.

Created in response to an initiative of the U.S. government, the Eurasia Foundation awarded its first grant in 1993. Since then, the Foundation has grown to a network of 23 grantmaking, representative, and special project offices extending from Chisinau, Moldova, to Yuzhno-Sakhalinsk, Russia.

A public-private partnership, the Foundation is managed by a board of trustees of private citizens. Receiving core support from the U.S. Agency for International Development, the Foundation also raises significant funds from foreign governments, private foundations, corporations, and individuals.



The Foundation's philosophy centers on the belief that people helping themselves can bring about the most effective and sustainable change. The Foundation has distinguished itself from other assistance organizations in its ability to award small experimental grants for grassroots initiatives in a quick and flexible fashion in areas that lie far beyond Eurasia's urban centers.

With an eye to the future, the Foundation is working to build capability in its field offices with the ultimate goal that they will be able to design programs, deliver grants, and raise funds entirely on their own.

Indigenous grassroots movements likely need support for at least another decade in order to accelerate and strengthen the push for more open markets and democratic politics, and they need mechanisms that offer the hope of more sustained support over time.

With its strong infrastructure of grant and project offices in the 12 countries of the former Soviet Union, experienced local staff, and a broad portfolio of highly innovative cross-sectoral and cross-border projects, the Eurasia Foundation's field offices are poised to evolve into truly independent philanthropic institutions.



EURASIA FOUNDATION OFFICES

- | | | | |
|---|---------------------------------|----|----------------------------------|
| 1 | <i>Almaty, Kazakhstan</i> | 9 | <i>Minsk, Belarus</i> |
| 2 | <i>Ashgabat, Turkmenistan</i> | 10 | <i>Moscow, Russia</i> |
| 3 | <i>Baku, Azerbaijan</i> | 11 | <i>Sarator, Russia</i> |
| 4 | <i>Bishkek, Kyrgyz Republic</i> | 12 | <i>Tashkent, Uzbekistan</i> |
| 5 | <i>Chisinau, Moldova</i> | 13 | <i>Tbilisi, Georgia</i> |
| 6 | <i>Dushanbe, Tajikistan</i> | 14 | <i>Yerevan, Armenia</i> |
| 7 | <i>Gyumri, Armenia</i> | 15 | <i>Vladivostok, Russia</i> |
| 8 | <i>Kyiv, Ukraine</i> | 16 | <i>Yuzhno-Sakhalinsk, Russia</i> |



**SMALL BUSINESS LOAN
PROGRAM**

The Eurasia Foundation manages the Small Business Loan Program (SBLP) to increase its impact on private enterprise development in Armenia and Ukraine. A reliable banking system that provides access to capital is critical for the devel-

opment of small and medium-sized businesses into sustainable operations, and SBLP works with local partner banks to provide essential financing to those enterprises. In the process, SBLP also offers hands-on training in effective lending practices to its partner banks.

In Armenia, SBLP extends loans to small businesses in every region of the country. In Ukraine, SBLP has offices in Kyiv and Lviv to disburse loans in those regions. Under these programs, more than 150 loans have been made and repaid, helping to create more than 2,200 jobs.

Private Enterprise Development

EXAMPLES ALL OVER THE WORLD TEACH US THAT PROSPERITY AND ECONOMIC

growth follow the development of healthy private enterprise. In Eurasia, large numbers of private businesses have emerged in the chaotic marketplace that resulted when the Soviet Union's planned economy abruptly decentralized. A decade later, the transition to a functional marketplace remains incomplete. To encourage an enabling environment for businesses struggling to succeed, the Eurasia Foundation awards grants to reduce regulatory barriers, increase access to capital, and improve business practices through management education. ¶ Since 1993, the Eurasia Foundation has awarded more than \$53.7 million in nearly 2,400 private enterprise development grants. In 2001 alone, nearly 300 recipients were awarded more than \$6.8 million in grants to promote the development of private enterprise. ¶ In 2000 and 2001, the Eurasia Foundation launched several targeted grantmaking initiatives to increase small business advocacy in Russia and Georgia; promote the information and technology sector in Armenia; boost regional tourism in the south Caucasus; and establish alternative courts to resolve commercial disputes in southern Russia. The Foundation continued earlier efforts to increase access to microfinance in Kazakhstan and Tajikistan; develop world-class business education programs in Belarus, Russia, and Georgia; and develop the service sector in Azerbaijan.

RESULTS AT A GLANCE

Business-Tezaurus Information and Consulting Center, Russia

State interference with private enterprise development hinders the growth of small businesses in Russia. To reduce the number of administrative barriers to small business growth, this Eurasia Foundation grantee developed recommendations on improving laws for registering and liquidating private enterprises. The grantee based its recommendations on analysis of federal and regional legislation and polls of more than 1,000 entrepreneurs in five Russian regions. The materials developed were submitted to the Russian government, which in turn initiated a new law on registering and liquidating private enterprises.

HELPING A
SMALL BUSINESS
TURN IDEAS
INTO REALITY IN
UKRAINE

In Ukraine, as in most of the former Soviet Union, the notoriously overburdened public sector attempts to provide health care for the general population. Conditions in public clinics generally range from poor to abysmal. Private businesses have emerged to meet demand for better quality services, but a lack of long-term capital at reasonable lending rates prevents such initiatives from succeeding. ¶ SBLP enables local bankers to provide loans at reasonable rates while also helping its partner banks develop greater expertise in small business lending. The program ultimately encourages the growth of companies that will help meet demand for products and services in a variety of industries while also providing fair wages to their employees and making a profit. Beneficiaries of these vibrant businesses can be found everywhere—from the new employees who earn decent salaries to satisfied customers who find competitive goods and services available in their communities. In the following story, Tetiana Zapadnia and Oleg Mykhailov talk about their small business, the Ukrainian Medical Group.

Obsolete equipment, overcrowded wards: That is the grim picture of publicly managed health care in the former Soviet Union. Even in Ukraine, where the economy has steadily recovered from the setbacks of the Russian ruble collapse in 1998, funding for medical care is minimal, and the government pays doctors a pittance. “I knew the inadequacies of our health care system,” says Tetiana Zapadnia, co-owner and director of the Ukrainian Medical Group. As a doctor in Kyiv’s Institute of Pediatrics, Obstetrics, and Gynecology in the 1980s and 90s, Zapadnia witnessed both the appalling conditions of the Ukrainian health care system and the dedicated work of her colleagues.

Tetiana Zapadnia and Oleg Mykhailov used an SBLP loan to open a private medical clinic.



Having furthered her medical training in Italy, Zapadnia returned to Ukraine determined to open a new business: a private clinic offering affordable, high-quality care. She knew that as a small business she could offer services that were unavailable through the public health care system and pay medical professionals a fair wage at the same time.

Zapadnia's partner in the enterprise, Oleg Mykhailov, has an altogether different background and brings business experience to the operation. Like many Soviet engineers, he reinvented himself ten years ago. After working in different firms, he planned to start a health care business. When he met Zapadnia, he knew it was a perfect match for a partnership.

A modest operation, Zapadnia's and Mykhailov's clinic had a steady stream of patients, and their landlord grew envious. He broke the lease and evicted them so that his son could open a clinic in the same space. Because the phone number stayed the same and the clinic's name changed only slightly, patients were confused. One woman did not know about the change in ownership, but when she realized that something was amiss, "She put on her clothes and walked out," says Zapadnia.

Zapadnia and Mykhailov soon opened a new clinic, and used an expensive loan to buy the premises. "The bank offered us a 45 percent interest rate," says Zapadnia, "but we had to agree to it."

In July 2000, a longer-term loan from the SBLP at 15 percent interest allowed Zapadnia and Mykhailov to repay the first loan and then renovate the new premises. At the time, the clinic had 9 doctors on staff and received between 25 and 30 patients each day.

Today the clinic is twice as large. "We get 40 to 60 patients a day, 7 days a week," Zapadnia explains. With 15 doctors on staff, the clinic provides services to both men and women from nine in the morning to nine at night. Many of the doctors have jobs at state-run clinics, but she can afford to pay them much better.

One doctor is Andrei Bagirov, a urologist. After he received his medical degree in Andijan, Uzbekistan, he completed his residency at the state-run Kyiv Medical Institute. Having worked in both public and private clinics, Bagirov has seen first hand that patients receive better care at the Ukrainian Medical Clinic than at a facility run by the government. "At the polyclinic, our work was about numbers. We had to see as many patients as came in during the day," he explains. "Here, we take a qualitative approach and try to give patients the care they need."

The Ukrainian Medical Clinic's emphasis on quality of care benefits Bagirov as a medical professional, as well. "This approach makes me a better doctor," he says, "since I can take time to give patients proper care, and I am paid based on my professional performance."

Zapadnia and Mykhailov are proud of what they have created. Their facility is clean and bright, with large consultation rooms, a dressing area, and high-quality medical equipment. "No one likes to go to the doctor," Zapadnia concedes, "and we try to avoid the unpleasant aspects of the state clinics."

Now Zapadnia and Mykhailov are turning to other aspects of medical care that will complement their clinic. They are expanding the mammography services offered at the clinic, and with a second SBLP loan they plan to open a pharmacy.



Dr. Andrei Bagirov once worked in state clinics but now sees patients at the Ukrainian Medical Group.



MEDIA VIABILITY FUND

Ongoing state control of printing houses and broadcasting facilities has served as a roadblock to the development of a truly independent press in Eurasia. To overcome these barriers, the Media Viability Fund (MVF) works closely with independent news

companies to ensure their financial viability.

A partnership between the Eurasia Foundation and the Media Development Loan Fund (MDLF), MVF provides low-interest loans to help companies acquire printing presses, broadcasting facilities, distribution systems, and production equipment.

It also helps independent media outlets by providing consultants from the United States, Europe, and the former Soviet Union who are experts on the business of producing the news.

In 2001, a lead MVF client, Altapress in Barnaul, Russia, launched the first independent

printing press in the Altai region, in western Siberia. Technical expertise from MVF advisers and a loan from MDLF allowed the company to purchase a high-quality printing press and install it in a new building.

Civil Society

THE COUNTRIES OF EURASIA INHERITED A SYSTEM IN WHICH CITIZENS DID NOT

contribute to political and economic decision making. The absence of independent news media left citizens ill informed of government activities and without a public forum to voice their concerns. Community-based civic organizations were not in place to advocate democratic and market reforms. ¶ The Eurasia Foundation supports projects that advance the financial sustainability of civil society organizations, while also creating a legal and regulatory environment that enables the sector's development. ¶ Since 1993, the Eurasia Foundation has awarded more than \$37.9 million through nearly 2,000 grants to nonprofit and media organizations working to broaden the scope of civil society. In 2001, the Foundation awarded more than 155 grants, totaling nearly \$3.9 million. ¶ Over the past nine years, the Foundation has launched several targeted grantmaking initiatives in the area of civil society, including programs to promote locally driven development through community schools and foundations; to create resource centers for nongovernmental organizations (NGOs); to promote independent media through business development and the protection of media rights; and to encourage the defense of civil liberties through legal clinics. In 2001, the Foundation focused its efforts on community schools and foundations in Russia and regional independent media in Central Asia, the Caucasus, and Ukraine. Foundation grantmaking initiatives also aim to build confidence through cross-border cooperation of civil society organizations in areas grappling with new national boundaries. These efforts include the South Caucasus Cooperation Program and the Ferghana Valley Initiative in Central Asia.

RESULTS AT A GLANCE

Azerbaijan Association of Lawyers

The growth of private sector activity in Azerbaijan, combined with the recent adoption of a civil code that begins to regulate private activity, has created an urgent need for trained lawyers to handle commercial cases and disputes. To meet this need, the grantee tested a pilot university-level course that included classroom training and hands-on experience in representing companies before the economic court. It also developed the first textbook on Azerbaijani commercial law. Demand exceeded expectations and, as a result, the course is being offered at a private university and tested for further application. The book is being sold for a profit.

HELPING
JOURNALISTS TURN
IDEAS INTO
REALITY IN RUSSIA

Journalists in Russia produce news under adverse conditions, and those in the regions—beyond the scope of international scrutiny—face a particularly egregious set of constraints. Local politicians and oligarchs wield substantial influence over reporting in their remote areas by threatening to cut off information, subject journalists to frivolous lawsuits, and in extreme cases even physically harm them.

¶ *The Eurasia Foundation supports grantees who enhance the professional qualifications and legal awareness of local editors and journalists such as Olga Vasilieva and the Sakhalin Branch of the Russian Union of Journalists by giving them an opportunity to gain the advice of experts from other parts of the country.*



Olga Vasilieva was determined to help journalists on Sakhalin Island overcome their isolation.

Seven time zones east of Moscow, journalists on Sakhalin Island off of Russia's Pacific Coast have been hit hard by their country's difficult transition to a market economy. "This used to be a prestigious place. Salaries were high. People would come here," explains Olga Vasilieva. "When the country turned to a market economy in 1992, we found ourselves doubly isolated: first, from other journalists around the world—we had no money for travel, whether for study or for vacations—and, second, from other journalists within our own region."

Vasilieva, the editor of a business newspaper on Sakhalin Island, was determined to help the local media overcome its isolation. In 1997, while she was still working in the local administration's media department, Vasilieva applied for her first grant from the Eurasia Foundation. "Our goal was to purchase computer equipment and then teach journalists how to use computers to do their layout." Everybody laughed, Vasilieva recalls, and asked why she bothered. "Not a single newsroom in the region was equipped with computers," she says, and starting a computer course seemed strange. But when the course began, "people started coming from every district in the region." Once it was over, says Vasilieva, "all the newspapers found a way to get computer equipment."

By 1999, as a consultant to the Sakhalin Branch of the Russian Union of Journalists, Vasilieva applied for another grant from the Eurasia Foundation. With the nearly \$25,000 grant that the union received, it was able to organize a seminar series on the legal, economic, and ethical aspects of journalism. Experts from Moscow, Ekaterinburg, and Vladivostok lectured on topics ranging from the role of the press in electoral campaigns to the business of advertising. Three hundred and fifty journalists attended the seminars, as did scores of lawyers, judges, and members of Sakhalin's local government.

For one independent reporter, Vladimir Podoshvin, it was access to legal material and advice that mattered most. Podoshvin had been drawing his share of libel suits, and he needed to know how to defend himself against local officials and politicians.

In 1996, while writing for the newspaper *Gubernskiy Vedomosti*, Podoshvin had linked the Party for Russian Unification to extremist elements. The accusation sparked readers' protests and calls for the editor and Podoshvin to be fired and ultimately led to four lawsuits over three years. One expert from Moscow, Aleksei Simonov, coached Podoshvin on how best to defend himself in



court. Although Podoshvin was eventually fined 1,000 rubles, the court ultimately decided that the journalist's characterization of the Party for Russian National Unity as extremist was not libelous. "Having access to [legal] literature was important, as was contact with real people," says Podoshvin, speaking of how the Union of Journalists helped him win his case.

"The study of journalistic ethics also helped," says Vasilieva. In the months after the grant ended, an electoral campaign got under way on Sakhalin. "As always," Vasilieva explains, "the regional administration wanted its own candidate in the mayor's office and started to pressure the journalists [to endorse its candidate]. But none of the journalists gave in." Although the administration started its own newspaper to back its candidate, he nonetheless lost the campaign.

Legal materials and advice helped independent journalist Vladimir Podoshvin defend himself in court.

HELPING NGOS
TURN IDEAS INTO
REALITY IN
CENTRAL ASIA

Coming from a background of centralized government, average citizens in Eurasia have little knowledge of the law and slim experience defending their rights before powerful adversaries. For many in Central Asia and other regions of the former Soviet Union, lawyers are difficult to find and too expensive to hire. ¶ The Eurasia Foundation supports grantees who increase citizens' access to affordable legal counsel while also making once-restricted information resources (such as textbooks, databases, and computers) available to everyone. An example is an NGO in the Kyrgyz Republic which puts legal students to work for average citizens. Today, many are benefiting from such efforts as they press legitimate claims that previously would have been forgotten or ignored.

At age 23, Angela Kasmakhunova has already had more experience with the law than most people want in a lifetime. As a fourth-year law student, she knows the Kyrgyz legal code virtually by heart. As a volunteer with the NGO-Leader legal clinic, she also knows what role the law can play in people's lives in the Kyrgyz Republic.

Kasmakhunova has volunteered at the NGO-Leader legal clinic ever since it opened two years ago. Like the 15 other students who work there, she offers free consultations on matters ranging from family law to labor law, and occasionally represents clients in court as a private citizen, as allowed under Kyrgyz law. "I'm glad that I can help people somehow," she reflects, "give them advice, or tell them where they need to go."



In Karakol, a town of 50,000 in eastern Kyrgyz Republic, such advice was unavailable until two people joined forces to start a legal clinic. Oleg Zaitsev, a repairman with no background in law, was tired of being harassed by the police. “I wore a beard, a T-shirt, and jeans at the time,” he explains, “and the police in Bishkek would stop me all the time.” Zaitsev started carrying a copy of the Kyrgyz constitution and approached NGO-Leader, a youth organization in Karakol, with the idea of creating a legal bulletin for young people to help them know the law and their rights.

Banur Abdieva, the director of NGO-Leader, had similar plans. “We had a good library at the time, with a few legal books. We wanted to open an information center and were looking for funding.” Zaitsev and Abdieva together turned to the Eurasia Foundation. Receiving a grant of a little more than \$16,000, NGO-Leader bought the computers, equipment, and databases it needed to run a first-rate legal clinic. The Foundation also told Abdieva and Zaitsev about the Adilet School of Law in Kazakhstan, where students were available to volunteer.

Herself a lawyer by training, Abdieva liked the idea. “During our own internships,” she recalls of the Soviet era, “we would be asked to deliver a letter, go get a paper, or sharpen a pencil.” Not so with the volunteers at NGO-Leader. They help clients in Karakol and travel to meet with other clients outside of town. Olga Shigabudinova, a lawyer who coaches the students, remarks: “Lawyers in this city have come to recognize us. We’ve become their competition—we offer free, high-quality service, and we have a legal database that is available nowhere else in the city.”

One client, Zinaida Balybina, received help from NGO-Leader in an ongoing legal struggle. Ten years ago, when state enterprises were being privatized, she and her workers’ collective were able to buy the store where they worked. They were offered only half of the premises, however, while the other half went to an influential member of the Communist Party.

“We didn’t know the law at the time,” Balybina explains. “We were such beginners, it was like we were blind.” But when the party member sold the second half of the store a year ago, Balybina turned to NGO-Leader for legal help.

“When Zinaida came to us and we looked at the documents,” Shigabudinova explains, “and when we went to the notary, we reached the conclusion that [the party member] had not followed the law.” Balybina took the matter to court, which ruled in her favor.

“Our main accomplishment in the last two years is that we’ve broken people’s assumption that they are without rights, that they can’t change anything,” NGO-Leader’s Abdieva explains. As more people overcome these assumptions, NGO-Leader’s workload grows: In a year and a half, it has given more than 1,000 consultations. For the most part, the clients are of modest means and cannot afford lawyers. But NGO-Leader’s library and electronic database also attract lawyers, politicians, and factory directors, who may be asked to contribute. For those who cannot afford to pay, the services will remain free.

Banur Abdieva (opposite) advises a pro bono client at the NGO-Leader legal clinic.



NGO-Leader helped Zinaida Balybina (top) reclaim her share of a privatized store. Olga Shigabudinova (middle) coaches student volunteers, including Angela Kazmakhunova (above).



ECONOMICS EDUCATION AND RESEARCH CONSORTIUM

The Economics Education and Research Consortium (EERC) is a multilateral effort to promote the emergence of skilled domestic economists who are able to teach, conduct economic analysis, and formulate sound economic policy.

The program's ultimate goal is to build sustainable domestic institutions and a vibrant academic community that will inform and sustain economic policy in the long term.

EERC maintains two core programs: In Ukraine, it offers, in partnership with Kyiv-Mohyla Academy, the first internationally

recognized master's degree program in economics. More than 120 students have graduated from the program since the first class enrolled in 1996. In Russia, EERC supports a research and professional development network for locally trained economists, through which the world's leading specialists in the economics of

transition are able to debate Eurasia's fiscal and monetary policies. EERC has supported more than 200 scholars in Russia to pursue research and has sponsored more than 120 original research projects. Reaching out to other countries in Eurasia, the program has invited participants from Belarus and Central Asia.

Public Administration and Policy

IN EURASIA, THE UNDERSTANDING OF GOVERNMENT HAS RADICALLY CHANGED

since the days of top-down, centralized planning. Local governments that once took orders and received financing from Moscow are now responsible for the well-being of their communities. This has meant trimming staff, cutting programs, and ultimately transferring responsibilities to the private and nonprofit sectors. At the same time, governments at all levels are facing demand for greater transparency that requires new ways of thinking—and new ways of interacting with their constituencies. ¶ The transition to a market economy has presented serious policy challenges to the citizens of the former Soviet Union. They are learning that a functional market economy depends not only on the skills of entrepreneurs, but also on public policies that facilitate market operations. ¶ To improve the effectiveness of public administration and policy, the Eurasia Foundation awards small grants to individuals, government offices, and NGOs. Since 1993, the Eurasia Foundation has awarded nearly \$25 million through more than 1,400 grants to NGOs and local governments striving to improve government accountability and the quality of public services. In 2001, more than 300 such grants were awarded, totaling nearly \$3.2 million. ¶ Foundation grantmaking has continued to focus on local government, targeting initiatives that increase the strategic planning and evaluation capacity of municipalities; that broaden public oversight of public decision making; and that facilitate access to information through local municipal information centers. New targeted grantmaking initiatives in 2001 have focused on promoting academic programs in public policy. These include a research program funded by the Carnegie Corporation of New York, which complements the public policy small grants initiative of the Eurasia Foundation's South Caucasus Cooperation Program.

RESULTS AT A GLANCE

Consumers Rights Protection Society of Uzbekistan

In 1999, Uzbekistan adopted a law permitting self-management for apartment ownership, but it was almost impossible to implement. For example, there were no avenues for citizens to exercise their legal rights and responsibilities with respect to property or to address homeownership concerns. To meet these needs, and to galvanize public interest in developing homeowner associations, the grantee published two handbooks, produced a weekly radio show, and gave consultations on homeownership issues. Three hundred individuals received consultations and seven successfully defended their ownership rights in court. The grantee recommended changes to housing legislation, which then served as the basis for a 2001 presidential decree on creating homeowner associations.

HELPING
ACCOUNTANTS
TURN IDEAS INTO
REALITY IN THE
SOUTH CAUCASUS

As they labor to improve the climate for business and attract foreign investment, countries of the former Soviet Union are in the painstaking process of streamlining business registration procedures, reforming banking systems, and adopting international standards for business that will speed their integration into the global economy. One of the thorniest areas of reform has been the replacement of Soviet-era accounting methods with International Accounting Standards (IAS) designed for a market economy. Analogous to the use of English as the lingua franca of international air traffic controllers, the use of these standards facilitates the flow of capital and investment around the world in a commonly understood “language.” ¶ In the south Caucasus, an area noted more for political conflict than economic cooperation, a partnership of three professional accounting associations supported by the Eurasia Foundation has been pushing accounting reform from the bottom up, laying the groundwork for future regional integration and training thousands of accountants in the process. ¶ Many will benefit as these new accounting procedures take hold, and some of the most immediate beneficiaries are the professional accountants themselves. In a world where corruption undermines credibility, this industry now has specific standards by which it can certify its practitioners.

Accounting reform in the south Caucasus began in 1998 when USAID began a program to teach International Accounting Standards (IAS) in Georgia and Armenia and to strengthen local accountants’ associations.

In Georgia, the Federation of Professional Accountants and Auditors (GFPAA) took the lead in developing legislation requiring the adoption of IAS. They met with stiff resistance from the Ministry of Finance, but eventually Parliament adopted a law requiring most Georgian enterprises to convert to IAS by the end of 2000. Elated by their success, members of the GFPAA wanted to work on accounting reform at the regional level with their colleagues in Armenia and Azerbaijan.



Svetlana Lebanidze is one of thousands of newly trained accountants in the south Caucasus.

In Armenia, the Gyumri-based Hovhannes Grigorian Accounting Club had been participating in a similar training program. In Azerbaijan, however, only a small number of accountants had received special training.

Enter the Eurasia Foundation, which in 1998 invited grantees from Georgia, Armenia, and Azerbaijan to a conference on prospects for regional cooperation. There the GFPA and the Hovhannes Grigorian Accounting Club met and began to create a proposal to harmonize accounting standards across the region. The next year, the partners received a grant through the Eurasia Foundation's South Caucasus Cooperation Program (sccp). No accountants' association was yet registered in Azerbaijan, but the Georgian association brought in the group it had worked with during the USAID training. As part of the sccp grant, those accountants officially registered as the Association of Certified Accountants of Azerbaijan.

The three partners met regularly as they conducted comparative analyses of accounting reform in each country and then made recommendations to their governments. Each group held workshops to introduce accounting reform to state agencies, business groups, auditing and accounting firms, and educational institutions.

The project culminated in a conference in Tbilisi, Georgia, attended by government agencies, NGOs, and educational institutions from all three countries. The presence of a high-ranking official from the Azerbaijan Ministry of Finance strongly indicated that Azerbaijan was serious about accounting reform. This meeting was even more remarkable considering Armenia and Azerbaijan do not even maintain diplomatic relations. At the end of the conference, participants signed a resolution outlining their commitment to adopt international accounting standards, increase the role of NGOs in accounting reform, develop a code of ethics, and launch joint programs to continue training accountants throughout the region.

In Georgia, the GFPA has continued training accountants according to international standards, administering courses for a fee and certifying the exam results. "Our certificates are valuable to students and employers because our results are fair. Everyone knows it's impossible to cheat on these exams," explains Zurab Kharatishvili, a GFPA board member. "In Georgia, where corruption is rampant, this is important—and our reputation as an organization depends on it." The USAID and sccp programs together have revolutionized the discipline of accounting in the Caucasus and improved business relations within and among the countries of the region.

Svetlana Lebanidze, who at age 45 lost her job as an engineer, is just one of 2,000 accountants that the GFPA has trained. Having always been interested in accounting, Lebanidze decided to turn it into a career and began taking courses at the GFPA. Now she works two jobs: By day she is chief accountant at a university, and at night she teaches at the GFPA office. Most of her students are actively employed accountants who want to improve their qualifications and receive certification. "I love working with the next generation," she explains, "and I'm giving them a love of the subject."

And Lebanidze has not stopped studying. After her lectures at the GFPA, she goes home and studies more. She hopes to pass the first stage of the Association of Chartered Certified Accountants examination, which is recognized in 150 countries around the world. "It's hard to be a student at my age," she laughs, "but I love this profession."



Zurab Kharatishvili, of the GFPA (top), Ulvi Gadjiev of the Association of Certified Accountants of Azerbaijan (middle), and Ara Kurazyan of the Armenian Association of Accountants and Auditors (above) are promoting accounting reform in the Caucasus.



Funding and Financial Overview

THE EURASIA FOUNDATION SEEKS TO BUILD BOTH PUBLIC AND PRIVATE SUPPORT

for its grantmaking programs and special projects. Since its inception in 1993, the Foundation has supported civil society and economic reform in the former Soviet Union with a substantial grant from the U.S. Agency for International Development (USAID). In addition to this funding base, the Foundation has successfully raised and leveraged more than \$36 million in non-U.S. government donations. ¶ In fiscal year 2001, a quarter of the Foundation's support came from non-U.S. government sources—including several foreign governments, private foundations, corporations, and individuals. Also in fiscal year 2001, the Foundation received its first major in-kind donation from a corporation, which donated equipment worth nearly \$500,000 for training and certification centers in Armenia. ¶ The Eurasia Foundation has signed a new five-year agreement with USAID to support its programs through December 2006. An essential component of this new agreement is the goal of creating a public-private trust fund to establish local philanthropic institutions in the Eurasia region that will provide a more permanent and indigenous source of support for continued growth of democracy and free enterprise. While recognizing the trust fund as a challenge, the Foundation is pleased to have already received strong expressions of interest from private foundations to match the government funds and join in this new venture. ¶ The Foundation strives to maintain its efficiency and cost effectiveness. It spent close to 90 percent of its funding on program and program-related activities in fiscal year 2001 and only slightly more than 10 percent on administration—half of the industry average according to a survey last year. As the Foundation increases its effort to raise funds and rally support for the trust, it will continue to maintain a reasonable and flexible cost structure capable of supporting activities that benefit the citizens of Eurasia.

REGINA YAN, *Vice President of Finance and Administration*

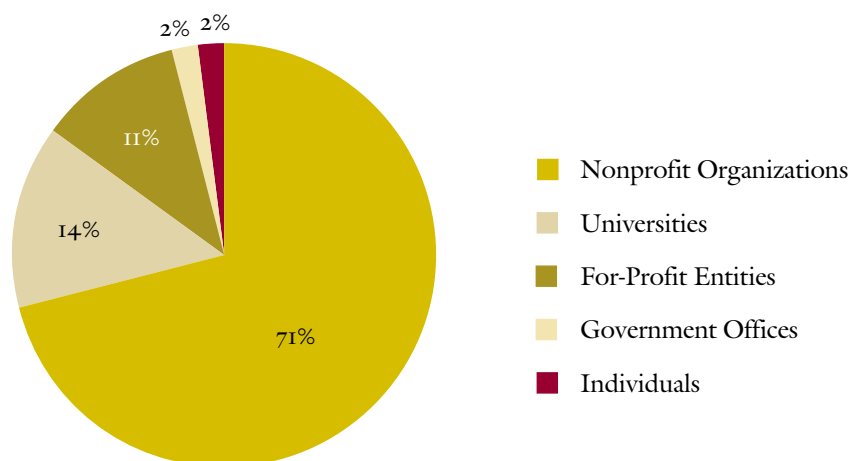
STATEMENT OF FINANCIAL POSITION	Fiscal Year		
		2001	2000
<i>As of September 30, 2001 with summarized financial information for 2000</i>	ASSETS		
	Cash and cash equivalents	\$ 4,745,167	\$ 4,967,549
	Investments	4,309,938	—
	Grants, accounts and other receivables, net of allowance for doubtful accounts of \$211,913	10,177,989	12,559,872
	Prepaid expenses	91,759	118,829
	Program related investments (loans), net of allowance for possible losses of \$317,095	2,813,416	1,467,749
	Fixed assets, net of accumulated depreciation and amortization of \$1,653,462	372,328	630,619
	Advances and deposits	30,019	24,931
	TOTAL ASSETS	\$ 22,540,616	\$ 19,769,549
	LIABILITIES AND NET ASSETS		
	LIABILITIES		
	Program related investment loans payable	\$ 805,572	\$ —
	Accounts payable and accrued expenses	656,162	1,296,677
	Capital lease liability	—	6,772
	Grants payable	11,511,938	9,985,536
	Total liabilities	12,973,672	11,288,985
	NET ASSETS		
	Unrestricted	6,011,530	5,062,031
	Temporarily restricted	3,555,414	3,418,533
	Total net assets	9,566,944	8,480,564
	TOTAL LIABILITIES AND NET ASSETS	\$ 22,540,616	\$ 19,769,549

**STATEMENT OF
ACTIVITIES AND
CHANGE IN NET
ASSETS**

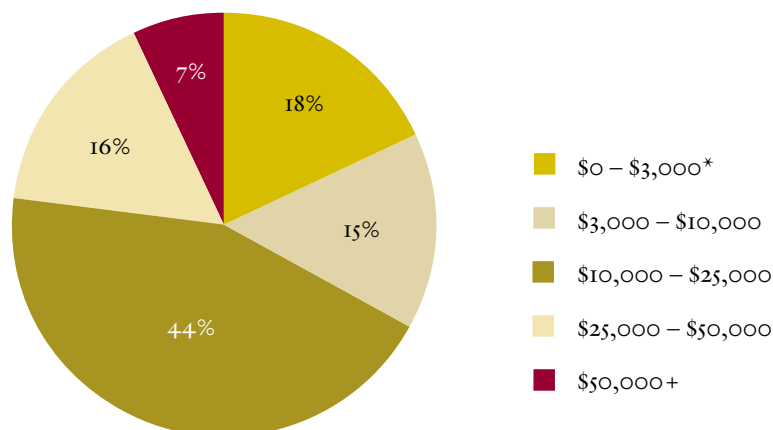
*For the year ended
September 30, 2001 with
summarized financial
information for 2000*

	Unrestricted	Temporarily Restricted	Total	Total
REVENUE AND SUPPORT				
Contributions	\$ 13,423	\$ 28,579,493	\$ 28,592,916	\$ 21,855,843
Investment income	312,363	—	312,363	231,887
Other income	18,929	—	18,929	64,979
Cancellation of funder awards	(398,283)	(115,400)	(513,683)	(511,069)
Net assets released from restrictions—satisfaction of donor imposed restrictions	28,327,212	(28,327,212)	—	—
Total revenue and support	28,273,644	136,881	28,410,525	21,641,640
EXPENSES				
PROGRAM SERVICES				
Grant Programs:				
DC Partnership	2,702,912	—	2,702,912	1,716,477
Caucasus	5,553,122	—	5,553,122	3,304,826
Central Asia	3,554,074	—	3,554,074	2,778,478
Western NIS	47,794	—	47,794	(28,477)
Russia	7,392,053	—	7,392,053	6,660,595
Special Programs	4,677,500	—	4,677,500	4,410,606
Total Program Services	23,927,455	—	23,927,455	18,842,505
SUPPORTING SERVICES				
Management and General	3,243,515	—	3,243,515	3,337,114
Fundraising	153,175	—	153,175	135,584
Total Supporting Services	3,396,690	—	3,396,690	3,472,698
Total Expenses	27,324,145	—	27,324,145	22,315,203
Change in net assets	949,499	136,881	1,086,380	(673,563)
Net assets at beginning of year	5,062,031	3,418,533	8,480,564	9,154,127
NET ASSETS AT END OF YEAR	\$ 6,011,530	\$ 3,555,414	\$ 9,566,944	\$ 8,480,564

EURASIA
FOUNDATION
GRANTMAKING
Fiscal Years 1993–2001

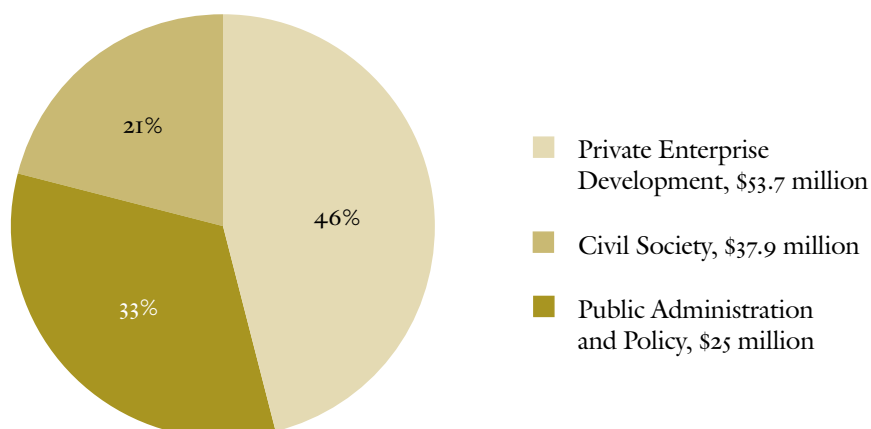


EURASIA
GRANTMAKING BY
GRANT AMOUNT
Fiscal Years 1993–2001



*Includes SCCP contact and EERC research grants

EURASIA
FOUNDATION
GRANTMAKING BY
PROGRAM AREA
Fiscal Years 1993–2001



NOTE: By the end of Fiscal Year 2001 (September 30, 2001), the Foundation had awarded 5,805 grants for a total amount of \$116,683,009. The average grant size was \$20,100.

Barents Euro-Arctic Regional Secretariat	Ministry of Foreign Affairs for Finland	Schlumberger Ltd.*
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Cafesjian Family Foundation	Global Development Network	Swedish International Development Cooperation Agency
The Capital Group Companies	Konrad Adenauer Stiftung*	Swedish Ministry for Foreign Affairs
Carnegie Corporation of New York	Izmirlian Foundation	Swiss Agency for Development and Cooperation
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PHOTOGRAPHY

James Hill

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Inside cover: Cutting peat, Lviv, Ukraine

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Ihor Galan, Page 18: Graduates, EERC master's degree program, Kyiv, Ukraine

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